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TREASURY FOR OASIA - LARRY MCDONALD

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SUBJECT: Iraqi Reconstruction Fund Facility for Iraq (IRFFI)
Meeting Reviews State of Play

¶11. (SBU) On September 6 the Japanese Embassy in Amman hosted an information sharing meeting on the current activities of the Iraqi Reconstruction Fund Facility for Iraq (IRFFI) in the run up to the October 13-14 Tokyo Donor Conference. The meeting was chaired by IRFFI Donor Committee chief Ambassador Akio Shirota, assisted by Interim Iraqi Government (IIG) Planning and Development Cooperation Minister Mehdi al-Hafedh, and the UN Development Group (UNDG) and World Bank IRFFI Trust Managers. Attendees included representatives (mainly Ambassadors) of approximately twenty Amman-based Embassies.

¶12. (SBU) Shirota opened the meeting by distributing a draft agenda for day one of the October 13-14 Tokyo Donor Conference (faxed separately). Planning Minister Mehdi stressed the IIG's desire to use the Tokyo conference as a vehicle to "present our vision of the future" and to obtain additional donor support. Shirota commented that the Tokyo conference should indeed be a "celebratory event," underlining areas of significant progress that have been ignored by the media focus on acts of violence.

IIG Working Toward an Iraq Development Strategy

¶13. (SBU) Mehdi said that the IIG is preparing a comprehensive document to serve as a three-year Iraq "national development strategy," noting that the IIG hopes that this paper will serve as a basis for discussion at the Tokyo conference. He promised to provide the strategy document to donor countries for review by late September 2004. In response to questions, Mehdi and Shirota assured attendees that donors will also be provided with a substantial list of development "success stories" and an overview of the current overall security situation at or before the Tokyo meeting.

Iraq Trust Fund Developments

¶14. (SBU) The World Bank and UNDG trust fund managers outlined the status of funds received and projects awarded. The managers reported that both trust funds have nearly exhausted the over \$720 million in pledged funds already deposited (approximately \$200 million in pledged funds have not yet been provided). Funded World Bank trust fund programs include approximately \$100 million for education and school rehabilitation, \$60 million for water and sanitation projects, \$55 million for telecommunications projects, \$90 million for other infrastructure, and \$55 million for private sector development. Planned UNDG projects include \$340 million split among 35 electricity, health, and education projects.

¶15. (SBU) The UNDG manager acknowledged that at least one major donor (read the USA) is considering re-directing its trust fund contribution away from electricity toward job-creation projects. This evoked a comment from attending EU Director General Patrick Laurent that the EU may similarly adjust its outyear Iraq assistance strategy. (Note: Laurent later privately confirmed that the EU will announce a new 200 million Euro trust fund donation at the Tokyo Conference. End Note.)

Implementation Monitoring

¶16. (SBU) The World Bank and the UNDG managers strongly praised the professionalism of their Iraqi counterparts at the senior and working level. In response to questions on effective monitoring, the World Bank representative noted that the Bank is currently advertising for Iraqi companies to take over financial management and environment/social safety net responsibilities typically performed by World Bank in-country staff. For his part the UNDG trust fund manager acknowledged that optimal efficiency cannot be ensured until full-time international UN staff begin working

in Iraq, at a point in time yet unknown.

17. Baghdad minimize considered.

Hale